



Memorandum

To: Luciana Profaca
Chief Deputy Director

From : Kerry Gantt
Acting Chief, Audit Services

Date : May 7, 2009

Subject: **Audit of Establishment Grants #26026 and #26062 with
Foundation for CSU San Bernardino**

File No. : IVB1.337-1087

Introduction

The Department of Rehabilitation (DOR) Audit Services has completed its audit of Establishment Grant #26026 effective March 28, 2005 through March 27, 2006 and Establishment Grant #26062 (equipment only) effective June 30, 2005 through June 29, 2006 with the Foundation for California State University San Bernardino (Foundation).

The Foundation, established in 1962, is an auxiliary of the California State University system whose purpose is to support the educational mission of the California State University of San Bernardino (CSUSB) community through diverse products and services that return funds to the University. The Foundation's mission is to profitably manage all campus retail operations, responsibly administer Sponsored Programs and select campus programs, the University's donations and endowment, in order to provide the best possible services to the students, faculty, staff, and administrators of CSUSB and the surrounding community.

Services funded by Grant #26026 were provided by the CSUSB's Assistive Computing and Resource Center (ACRC). The objective of this Grant was to

provide assistive technology services to consumers to help them eliminate employment barriers, live independently, and have access to appropriate technology to meet educational and employment needs. ACRC staff provided services including assessments, training, and technical support. The goal was to provide services to an estimated 60-72 individuals with disabilities in the Inland Empire District.

Grant #26026, effective March 28, 2005 to March 27, 2006 (third year of the Grant), budget and expenditure totals included:

Type	Budget	Reported/Paid
Personnel Budget and Reimbursement Request - DR339	\$66,662	\$33,618.89
Budget and Reimbursement Request - DR337	\$26,000	\$1,074.77
Cash Match	\$19,737	\$19,737

With funds received from equipment only Grant #26062, the Foundation's ACRC established a satellite presence on the CSUSB Palm Desert Campus to serve individuals living in remote and rural areas of Riverside and San Bernardino counties. The objective of this Grant was to provide an expansion of formalized assistive technology assessments, objective recommendations, and individualized training to at least 20 consumers.

Grant #26062, effective June 30, 2005 to June 29, 2006, budget and expenditure totals included:

Type	Budget	Reported/Paid
Budget and Reimbursement Request - DR337	\$73,232	\$56,328.93
Cash Match	\$15,598	\$15,598

Scope

Audit fieldwork was conducted during June 2007. We conducted our audit in accordance with Government Auditing Standards as defined by the Government Accountability Office, except Standard 3.52 requiring an external peer review. These standards require that we obtain reasonable assurance that the expenditures incurred and the services provided are supported by appropriate records; and are in compliance with the Grant, Establishment Grant Handbook, and applicable State and Federal laws and regulations including the applicable Office of Management and Budget (OMB) Circulars. The audit also included a

limited review of the internal controls applicable to the Grant. Our audit is subject to the inherent risk that material errors and irregularities, fraud, and non compliance will not be detected.

Our audit included examining, on a sample basis, evidence supporting the information included on the budget and reimbursement requests (invoices) submitted to DOR. Our audit also included a limited review of the internal controls as they related directly to our audit of the invoices through use of an accounting system and internal control questionnaire, and interviews with Foundation staff. A more comprehensive review of organizational internal controls was not conducted due to our reliance on the June 30, 2006 audit report issued by the Foundation's independent auditor. In addition, we performed a limited review of the procedures in place to document and report the services provided to DOR consumers.

Summary of Findings and Recommendations

The expenditures incurred and the services provided by Foundation were supported; and were in compliance with the Grant, Establishment Grant Handbook, applicable Federal and State laws, regulations, and OMB Circulars except for the issues in **Appendix I, Details to Findings**. The findings and recommendations identified in this report were shared with Foundation staff at the audit exit conference held on June 8, 2007.

Foundation Response

The Foundation, as well as the DOR Resource Specialist, reviewed the draft audit findings and recommendations and notified Audit Services on May 4, 2009 that it was suitable to move forward with issuance of this report.

Corrective Action and Follow UP

The Foundation does not currently have an Establishment Grant funded by DOR. As such, we are not requesting that the Foundation remit a plan identifying corrective actions for adherence to Grant terms or Grant Handbook requirements. However, the recommendations presented in this report are to be implemented by the Foundation if Establishment Grant funding resumes in the future.

The Foundation continues to provide rehabilitation technology services to DOR consumers via a fee-for-service payment structure. The Foundation shall ensure adequate controls are in place to submit accurate and supported invoices to DOR for rehabilitation technology services provided and reimbursed via the fee-for-service structure. Additionally, the DOR Resource Specialist shall continue to work with the Foundation to assure services are being billed appropriately and

that Foundation maintains adequate records to support services provided. The contents of this report have been discussed with Stan Stanley, Sponsored Programs Administration Director, members of his staff, and Diane Harris, DOR Resource Specialist. We appreciate their assistance with our audit.

The audit was conducted by Desiree Sample and Edwin Imasuen, DOR Auditors under the supervision of Kerry Gantt, DOR Audit Supervisor.

**The Foundation for CSU San Bernardino
Establishment Grant #26026, effective 3/28/05 – 3/27/06
And
Equipment Only Grant #26062, effective 6/30/05 – 6/29/06**

Details to Findings

The expenditures incurred and the services provided by the Foundation were supported by appropriate records; and were in compliance with the Establishment Grants, Establishment Grant Handbook, applicable Federal and State laws and regulations, and OMB Circulars. However, we identified a few issues that warranted correction by the Foundation in order to be fully compliant with Grant requirements.

Personnel

1. When calculating personnel costs, the Foundation utilized the prior fiscal year's Unemployment Insurance (UI) rate of 1.85%. The actual UI rate for the audit period of 2005/2006 was 1.62%. Foundation indicated that they utilized the higher UI rate in anticipation of an increase in UI claims. Due to the immaterial dollar difference, no audit adjustment will be made. OMB A21 stipulates that compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits.

Recommendation

The Foundation utilize actual and supported UI rates when calculating personnel costs to be billed to DOR.

Equipment – Grant #26062

2. The Foundation did not maintain adequate documentation to support bids obtained for equipment exceeding \$1,000 purchased and invoiced to Grant #26062. The Price Quote Worksheets summarized bid information; however, documentation supporting the written competitive bids was not maintained for the following purchases:

DR 337 (Invoice) Line Item	Period Covered	Purchase Amount	Vendor
2	01/01/06-06/29/06	\$1,199.90	Computer Land
2	01/01/06-06/29/06	\$1,228.22	Super Warehouse
2	01/01/06-06/29/06	\$1,254.21	ExperCom
3	01/01/06-06/29/06	\$19,459.65	Gateway
4	01/01/06-06/29/06	\$2,383.56	Compview
4	01/01/06-06/29/06	\$2,533.39	SPL Integrated Solutions
3	06/30/05-12/31/05	\$6,684.63	IKEA
3	06/30/05-12/31/05	\$7,951.95	Office Organix
3	06/30/05-12/31/05	\$10,430.20	The Human Solution

Additionally, some of the Price Quote Worksheets did not contain all of the required information. Specifically, five were missing dates of the quotes/offers and three did not identify the contact person for the Vendor contacted.

The Foundation explained that most of the research on equipment costs was done by student assistants working with the Assistive Technology Training Specialist. Further, the Foundation believed that documentation supporting the bids obtained was maintained; however, they could not locate the documents.

The Establishment Grant Handbook requires that the subgrantee obtain written competitive bids from two different bidders when the cost of an equipment line item is \$1,000 or more. Bids may be from vendors, catalogs, websites or other reliable sources. Documentation of bid information must be kept with the grant records.

The Handbook further stipulates that the subgrantee must complete and submit a Price Quote Worksheet with the invoice supporting the purchase from the lowest responsible bidder. The Price Quote Worksheet requires that staff identify the quote date, vendor/address, contact person, and phone number, in the designated fields. The Price Quote Worksheet does not substitute for bid documentation.

Recommendation

The Foundation ensure that written competitive bids are obtained and that adequate bid documentation is maintained as required. Further, the Price Quote Worksheets shall be complete and reviewed for accuracy prior to submission to DOR.

3. Adaptive workstation equipment purchased under Grant #26062 appeared to be ordered prior to obtaining the required price quotes. The equipment was ordered on 11/25/05; however, the price quote worksheet indicated quote dates of 12/10/05, 12/15/05, and 01/07/06. The Foundation recalled doing cost research prior to ordering the equipment and in fact ordered from the lowest bidder; however, they were uncertain why the order date preceded bid dates indicated on the price quote worksheet.

The Establishment Grant Handbook requires that written competitive bids be obtained from two different bidders when the cost of budgeted equipment per line item is \$1,000 or more. The bids must be obtained prior to the purchase or order date. Documentation of bid information must be kept with the grant records.

Recommendation

The Foundation ensure that written competitive bids are obtained prior to the purchase or order date and that adequate bid documentation is maintained as required.

Equipment – Grant #26026 and #26062

4. Foundation staff did not perform an annualized physical inventory and reconciliation of the equipment purchased with Grant funds.

Although Foundation staff were able to account for equipment, they were not aware of the requirement to conduct an annual physical inventory of all equipment purchased with grant funds. The Foundation relied upon the CSUSB's inventory process, which only covered equipment valued at \$2,500 or greater.

The Establishment Grant Handbook requires that the subgrantee maintain an inventory of capitalized and non-capitalized equipment purchased with Grant funds. It also stipulates that an annual physical inventory of equipment will be made and reconciled with Grant property records.

Recommendation

The Foundation conduct an annual physical inventory of Grant purchased equipment and reconcile the equipment with Grant property records. The Foundation shall retain documentation to evidence that the inventory and reconciliation were conducted as required.

5. The Foundation did not obtain prior authorization from the Resource Specialist to change the location/address of equipment. Specifically, four items that were listed on the Grant Equipment Identification form (DR 328) for the Palm Desert campus were actually housed at the San Bernardino campus location. As such, the quantity of equipment listed on the DR 328 for the San Bernardino location incorrectly totaled 28 items rather than 32. The Foundation indicated that the equipment at both locations was utilized in the provision of services to DOR consumers and Foundation was unaware of the necessity for prior written approval to relocate equipment.

The Establishment Grant Handbook stipulates that all equipment must be located at the address shown on the grant equipment identification form (DR 328). Prior written approval by the DOR Resource Specialist is required for a transfer or change in location of grant funded property.

Recommendation

The Foundation obtain prior written approval by the DOR Resource Specialist if they are transferring or changing the location of Grant funded equipment.

Funding

6. The Foundation inaccurately identified and recorded Grant funds received from the DOR as State funding rather than Federal funding on their internal financial documents. Additionally, the DOR Grant funds were not identified on the Independent Auditor's Report Schedule of Expenditures of Federal and State Awards for year ended June 30, 2006.

Grant funds are federal funds which DOR administers under Title I of the Rehabilitation Act of 1973, as amended.

Recommendation

The Foundation ensure that Grant funds received from DOR are correctly reported as federal funds in future financial documents so that funds may be properly administered per Federal regulations.